

Message Text

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ACTION EA-09

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E.O. 11652: N/A

TAGS: EFIN, OVIP, KS

SUBJECT: PROPOSED ROK MISSION TO STUDY MONEY MARKETS

1. THE ROKG MINISTRY OF FINANCE HAS ASKED THE EMBASSY'S ASSISTANCE IN ARRANGING A VISIT BY FOUR-MAN MISSION FROM THE MINISTRY OF FINANCE (MOF) AND THE BANK OF KOREA (BOK) TO STUDY AND OBSERVE CERTAIN OPERATIONS OF THE FEDERAL RESERVE SYSTEM IN THE U.S. THE VISIT WILL BE FINANCED BY ROKG.

2. THE MAJOR TASKS OF THE MISSION ARE TO OBSERVE AND STUDY:

(1) THE MONEY MARKET:

(A) ORGANIZATION,

(B) MECHANICS OF ACCOMODATION OF RESERVE POSITION OF FINANCIAL INSTITUTIONS,

(C) TYPES OF MONEY MARKET INSTRUMENTS,

(D) INTEREST RATE PATTERNS, RELATIONSHIPS, FLUCTUATIONS AND DIFFERENTIALS,

(E) MONETARY POLICY AS IT OPERATES ON THE MONEY MARKET, AND

(F) FUNCTION OF THE MPARLLEL MARKET IN ACCOMMODATING INTERNATIONAL CAPITAL FLOWS.

(2) OPEN MARKET OPERATIONS:

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(1) ORGANIZATION AND FUNCTION OF KFEDERAL OPEN MARKET COMMITTEE (FOMC),

(2) PROCESS OF DETERMINING OPEN MARKET POLICY,

(3) MECHANICS OF PURCHASE AND SALES OF OPEN MARKET INSTRUMENTS,

(4) ORGANIZATION OF DEALERS AND BROKERS,

(5) PARTICIPANTS IN OPEN MARKET OPERATIONS - BUYERS AND SELLERS, AND

(6) RELATIONSHIP BETWEEN OPEN MARKET OPERATIONS AND OTHER MONETARY
POLICY INSTRUMENTS

(3) OTHERS

(A) SIGNIFICANCE OF VARIOUS MONETARY INDICATORS IN MONETARY
MANAGEMENT, AND MANNER IN WHICH THEY ARE COLLECTED AND PUBLISHED.

(B) REGULATION OF NON-BANK FINANCIAL INSTITUTIONS, PARTICULARLY
AS THEY RELATE TO THE MONEY MARKET.

3. THE MISSION WOULD LIKE TO SPEND ONE WEEK WITH THE FEDERAL
RESERVE BOARD IN WASHINGTON AND ONE WEEK WITH THE FEDERAL
RESERVE BANK OF NEW YORK, WITH PARTICULAR INTEREST IN OBSERVING
THE PROCESSES AND OPERATIONS OF OPEN MARKET OPERATIONS. THE
MISSION PROPOSES TO MAKE THE VISIT AS SOON AS POSSIBLE, BEGINNING
AS SOON AS LATER JANUARY IF FEASIBLE. TENTATIVE MEMBERS OF THE
MISSION ARE:

MR. CHUNG YONG-WHI, DIRECTOR, TREASURY BUREAU, MOF

MR. YON WON-YONG, ASSISTANT CHIEF, MONETARY POLICY DIVISION,
BUREAU OF FINANCE, MOF

MR. LIM JAE-SOO, DIRECTOR, FUND OPERATION DEPARTMENT, BOK

MR. LIM DONG-SUNG, ASST. DIRECTOR, FUND OPERATION DEPARTMENT,
BOK

WE HAVE BEEN ASSURED THE ENGLISH LANGUAGE CAPABILITIES OF THE
MEMBERS OF MISSION ARE SUFFICIENT TO POSE NO PROBLEM.

4. BACKGROUND: UP TO NOW, TOOLS OF ROKG MONETARY MANAGEMENT
HAVE BEEN LIMITED ALMOST EXCLUSIVELY TO DIRECT CREDIT RATIONING,
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ADJUSTMENT OF RESERVE REQUIREMENTS AND BANK OF KOREA REDISCOUNTING.
THE MINISTRY OF FINANCE NOW BELIEVES THAT CIRCUMSTANCES DEMAND,
AND CONDITIONS WARRANT, A BROADENING OF THE SCOPE AND METHODS
OF MONETARY MANAGEMENT. THEY ARE SPECIFICALLY THINKING
IN TERMS OF THE DEVELOPMENT OF A MONEY MARKET AND OPEN MARKET
OPERATIONS AND HOPE TO BEGIN MARKETING TREASURY BILLS IN THE
VERY NEAR FUTURE.

5. WE WOULD APPRECIATE THE DEPARTMENT'S ASSISTANCE IN ARRANGING
A PROGRAM FOR THIS MISSION WITH THE FEDERAL RESERVE BOARD
AND RESERVE BANK OF NEW YORK. PLEASE ADVISE.
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